

WACO COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS

JUNE 30, 2022

# WACO COMMUNITY SCHOOL DISTRICT

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WACO COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2022

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Tim Graber	Board President	2025
Jared Achen	Board Vice President	2023
Megan Waterhouse	Board Member	2023
Rich Neil	Board Member	2025
Barb Shelman	Board Member	2025
<b>School Officials</b>		
Ken Crawford	Superintendent	2023
Carrie Coble	Business Manager/Board Secretary	2023
Lynch Dallas P.C.	Attorney	2023



# Kay L. Chapman, CPA PC

116 Harrison Street  
Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report

To the Board of Education of WACO Community School District:

### Report on the Audit of the Financial Statements

#### Opinions

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of WACO Community School District, Wayland, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the WACO Community School District as of June 30, 2022 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. general accepted accounting principles.

#### Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of WACO Community School District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### Emphasis of a Matter

As discussed in Note 14 to the financial statements, WACO Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. My opinions are not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the WACO Community School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WACO Community School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the WACO Community School District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 6 through 13 and 47 through 52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WACO Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2021 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In my opinion, the supplementary information in Schedules 1 through 5 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 24, 2023 on my consideration of WACO Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering WACO Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Kay Chapman". The signature is written in a cursive, flowing style.

Kay L. Chapman, CPA PC  
February 24, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

WACO Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2022. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2022 FINANCIAL HIGHLIGHTS**

- The District implemented Governmental Accounting Standards Board Statement (GASBS) No. 87, Leases, during fiscal year 2022. The District had no leases meeting the definition of GASBS No. 87 at July 1, 2021, therefore, implementation of this standard had no effect on the beginning capital assets, liabilities or net position for governmental activities.
- The District's total net position decreased from \$5,097,155, as of June 30, 2021 to \$4,800,827 at June 30, 2022. Total revenues increased 12.58% from \$8,042,141 in fiscal year 2021 to \$9,054,191 in fiscal year 2022. The District's total expenses increased 15.77% from \$8,076,651 in fiscal year 2021 to \$9,350,519 in fiscal year 2022.
- General Fund revenues increased from \$6,899,393, in fiscal year 2021 to \$7,359,201 in fiscal year 2022. General Fund expenditures increased from \$6,693,830 in fiscal year 2021 to \$7,717,282 in fiscal year 2022. The District's General Fund balance decreased from \$2,018,809 in fiscal year 2021 to \$1,660,728 in fiscal year 2022, a decrease of 22%.
- The increase in General Fund revenues was attributable to the increase in COVID funding. The increase in expenditures can be attributed to an increased cost of salaries and benefits, additional COVID spending, and the reduction of categorical carryover balances.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of WACO Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental and business type activities services were financed in the short term as well as what remains for future spending. Fund financial statements report WACO Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as

presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.



- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the Self-insurance Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2022 compared to June 30, 2021.

Figure A-1  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2021- 2022</u>
Current and other assets	\$ 5,307,780	\$ 6,733,292	\$ 177,328	\$ 129,886	\$ 5,485,108	\$ 6,863,178	-20.08%
Capital assets	<u>6,166,814</u>	<u>6,634,699</u>	<u>24,335</u>	<u>27,132</u>	<u>6,191,149</u>	<u>6,661,831</u>	-7.07%
Total assets	<u>11,474,594</u>	<u>13,367,991</u>	<u>201,663</u>	<u>157,018</u>	<u>11,676,257</u>	<u>13,525,009</u>	-13.67%
Deferred outflows of resources	<u>142,741</u>	<u>736,150</u>	<u>3,885</u>	<u>16,941</u>	<u>146,626</u>	<u>753,091</u>	-80.53%
Long-term liabilities	1,868,072	5,266,707	15,246	103,147	1,883,318	5,369,854	-64.93%
Other liabilities	<u>444,853</u>	<u>1,057,644</u>	<u>3,041</u>	<u>9,060</u>	<u>447,894</u>	<u>1,066,704</u>	-58.01%
Total liabilities	<u>2,312,925</u>	<u>6,324,351</u>	<u>18,287</u>	<u>112,207</u>	<u>2,331,212</u>	<u>6,436,558</u>	-63.78%
Deferred inflows of resources	<u>4,624,210</u>	<u>2,741,181</u>	<u>66,634</u>	<u>3,206</u>	<u>4,690,844</u>	<u>2,744,387</u>	70.93%
Net position							
Net investment in capital assets	5,087,461	5,307,662	24,335	27,132	5,111,796	5,334,794	-4.18%
Restricted	1,452,253	1,650,030	-	-	1,452,253	1,650,030	-11.99%
Unrestricted	<u>(1,859,514)</u>	<u>(1,919,083)</u>	<u>96,292</u>	<u>31,414</u>	<u>(1,763,222)</u>	<u>(1,887,669)</u>	6.59%
Total net position	<u>\$ 4,680,200</u>	<u>\$ 5,038,609</u>	<u>\$ 120,627</u>	<u>\$ 58,546</u>	<u>\$ 4,800,827</u>	<u>\$ 5,097,155</u>	-5.81%

The District's total net position decreased by 5.81%, or \$296,328 from the prior year.

The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$197,777, or 12%, from the prior year. The decrease in restricted net position was primarily due to the decrease in the amount restricted for school infrastructure purposes compared to the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased \$124,447, or 7%. The increase in unrestricted net position was due primarily to the substantial decrease in net pension and OPEB liabilities.

Figure A-2 shows the changes in net position for the year ended June 30, 2022 compared to the year ended June 30, 2021.

Figure A-2							
Change in Net Position							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>
Revenues							
Program revenues							
Charges for service	\$ 999,937	\$ 694,215	\$ 25,283	\$ 26,188	\$ 1,025,220	\$ 720,403	42.31%
Operating grants	1,854,483	940,479	292,087	228,453	2,146,570	1,168,932	83.64%
General revenues							
Property tax	2,614,261	2,408,403	-	-	2,614,261	2,408,403	8.55%
Statewide sales, services and use tax	559,253	488,771	-	-	559,253	488,771	14.42%
Unrestricted state grants	2,458,306	3,234,566	-	-	2,458,306	3,234,566	-24.00%
Unrestricted investment earnings	2,898	4,837	156	154	3,054	4,991	-38.81%
Contributions and donations	34,174	-	-	-	34,174	-	0.00%
Other	<u>213,353</u>	<u>16,075</u>	<u>-</u>	<u>-</u>	<u>213,353</u>	<u>16,075</u>	1227.23%
Total revenues	<u>8,736,665</u>	<u>7,787,346</u>	<u>317,526</u>	<u>254,795</u>	<u>9,054,191</u>	<u>8,042,141</u>	12.58%
Program expenses							
Governmental activities							
Instruction	5,794,034	5,312,031	-	-	5,794,034	5,312,031	9.07%
Support services	2,192,378	1,877,514	-	-	2,192,378	1,877,514	16.77%
Non-instructional programs	-	-	255,445	257,103	255,445	257,103	-0.64%
Other expenses	<u>1,108,662</u>	<u>630,003</u>	<u>-</u>	<u>-</u>	<u>1,108,662</u>	<u>630,003</u>	75.98%
Total expenses	<u>9,095,074</u>	<u>7,819,548</u>	<u>255,445</u>	<u>257,103</u>	<u>9,350,519</u>	<u>8,076,651</u>	15.77%
Change in net assets before transfers	(358,409)	(32,202)	62,081	(2,308)	(296,328)	(34,510)	758.67%
Transfers	<u>-</u>	<u>(14,279)</u>	<u>-</u>	<u>14,279</u>	<u>-</u>	<u>-</u>	0.00%
Change in net position	(358,409)	(46,481)	62,081	11,971	(296,328)	(34,510)	-758.67%
Net position beginning of year	<u>5,038,609</u>	<u>5,085,090</u>	<u>58,546</u>	<u>46,575</u>	<u>5,097,155</u>	<u>5,131,665</u>	-0.67%
Net position end of year	<u>\$ 4,680,200</u>	<u>\$ 5,038,609</u>	<u>\$ 120,627</u>	<u>\$ 58,546</u>	<u>\$ 4,800,827</u>	<u>\$ 5,097,155</u>	-5.81%



In fiscal year 2022, property tax and unrestricted state grants accounted for approximately 58% of governmental activities revenue while charges for service and sales and operating grants accounted for almost 100% of business type activities revenue. The District's total revenues were \$9,054,191, of which \$8,736,665 was for governmental activities and \$317,526 was for business type activities.

As shown in Figure A-2, the District as a whole experienced an increase in revenues of 13% and a 16% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$8,736,665 and expenses were \$9,095,074 for the year ended June 30, 2022.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2022 compared to those expenses for the year ended June 30, 2021.

Figure A-3

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>
Instruction	\$ 5,794,034	\$ 5,312,031	9.1%	\$ 3,173,591	\$ 4,050,025	-21.6%
Support services	2,192,378	1,877,514	16.8%	2,181,705	1,730,803	26.1%
Other expenses	<u>1,108,662</u>	<u>630,003</u>	76.0%	<u>885,358</u>	<u>404,026</u>	119.1%
Total expenses	<u>\$ 9,095,074</u>	<u>\$ 7,819,548</u>	16.3%	<u>\$ 6,240,654</u>	<u>\$ 6,184,854</u>	0.9%

For the year ended June 30, 2022:

- The cost financed by users of the District's programs was \$999,937.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,854,483.
- The net cost of governmental activities was financed with \$3,173,514 of property and other taxes and \$2,458,306 of unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2022 were \$317,526 representing an increase of 25% over the prior year, while expenses totaled \$255,445, a decrease of 1% from the prior year. The District's business type activities include the School Nutrition Fund.

The increase in revenues was attributable to the continuation of free meals (including breakfast and lunch) for all students through the USDA.

## INDIVIDUAL FUND ANALYSIS

As previously noted, WACO Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,692,143 compared to \$3,084,422 from 2021.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$2,018,809 at June 30, 2021 to \$1,660,728 at June 30, 2022, due to an increase in salaries and benefits as well as additional expenditures related to COVID.
- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance increased from \$580,469 in 2021 to \$605,342 in 2022. Revenues increased due to an increase in local revenues received and expenditures decreased due to reserving additional funds to be used in upcoming construction projects. Total revenues outpaced total expenditures for the year 2022.

### **Proprietary Fund Highlights**

Enterprise Fund net position increased from \$58,546 at June 30, 2021 to \$120,627 at June 30, 2022, an increase of approximately 106%. The increase in ending net position was primarily due to the increase in revenue from the continuation of USDA provided free meals for all students.

## **BUDGETARY HIGHLIGHTS**

The District did not amend its budget during the year ended June 30, 2022.

The District's total revenues were \$1,247,043 less than budgeted revenues, a variance of 15%. The most significant variance resulted from the District receiving more in miscellaneous income than originally anticipated due to no rentals allowed throughout the District because of COVID.

Total expenditures were \$496,354 more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures using realistic projections based from prior year expenditures with a buffer built as to not exceed the annual budget. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the instruction and non-instructional programs functions, as well as total expenditures, exceeded the amounts budgeted due to an unanticipated increase in the need for student support services.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2022, the District had invested \$6,191,149 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$497,822.

The original cost of the District's capital assets was \$13,898,205. Governmental funds account for \$13,735,775, with the remainder of \$162,430 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the furniture and equipment category, which decreased by \$134,364 due to annual depreciation expense.

Figure A-4

Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>
Land	\$ 85,850	\$ 85,850	\$ -	\$ -	\$ 85,850	\$ 85,850	0.00%
Buildings and improvements	4,623,407	4,875,706	-	-	4,623,407	4,875,706	-5.17%
Improvements, other than buildings	934,565	1,018,584	-	-	934,565	1,018,584	-8.25%
Furniture and equipment	<u>522,992</u>	<u>654,559</u>	<u>24,335</u>	<u>27,132</u>	<u>547,327</u>	<u>681,691</u>	-19.71%
Totals	<u>\$6,166,814</u>	<u>\$6,634,699</u>	<u>\$ 24,335</u>	<u>\$ 27,132</u>	<u>\$ 6,191,149</u>	<u>\$ 6,661,831</u>	-7.07%

### Long-Term Debt

At June 30, 2022, the District had \$1,883,318 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 65% from last year (see Figure A-5). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. \$1,079,353 of the District's outstanding debt is limited to its constitutional debt limit of approximately \$9.4 million.

Figure A-5

Outstanding Long-term Obligations			
	Total		Total
	District		Change
	June 30,		June 30,
	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>
Governmental activities			
Revenue bonds	\$ 830,000	\$ 995,000	-16.58%
Capital loan payable	249,353	332,037	-24.90%
Termination benefits	228,636	290,277	-21.24%
Net pension liability	60,424	2,895,432	-97.91%
Total OPEB liability	<u>499,659</u>	<u>753,961</u>	-33.73%
	<u>1,868,072</u>	<u>5,266,707</u>	-64.53%
Business type activities			
Net pension liability	1,645	65,132	-97.47%
Total OPEB liability	<u>13,601</u>	<u>38,015</u>	-64.22%
	<u>15,246</u>	<u>103,147</u>	-85.22%
Totals	<u>\$ 1,883,318</u>	<u>\$ 5,369,854</u>	-64.93%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- There has not been an increase of employment or housing opportunities within our communities to counter the trend of declining enrollment.
- Little-to-no increase in allowable growth makes it challenging to off-set declining enrollment.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carrie Coble, Business Manager/Board Secretary, WACO Community School District, 706 N. Pearl Street, Wayland, Iowa, 52654.

## Basic Financial Statements

WACO COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2022

Exhibit A

	Governmental	Business Type	
<b>Assets</b>	Activities	Activities	Total
Cash, cash equivalents and pooled investments	\$ 2,581,047	\$ 173,108	\$ 2,754,155
Receivables			
Property tax			
Delinquent	26,224	-	26,224
Succeeding year	2,176,389	-	2,176,389
Accounts receivable	6,700	-	6,700
Due from other governments	517,420	-	517,420
Inventories	-	4,220	4,220
Non-depreciable capital assets	85,850	-	85,850
Capital assets, net of accumulated depreciation	6,080,964	24,335	6,105,299
Total assets	<u>11,474,594</u>	<u>201,663</u>	<u>11,676,257</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>142,741</u>	<u>3,885</u>	<u>146,626</u>
<b>Liabilities</b>			
Accounts payable	438,795	-	438,795
Due to other governments	453	-	453
Unearned revenue	-	3,041	3,041
Accrued interest payable	5,605	-	5,605
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	110,000	-	110,000
Capital loan notes payable	249,353	-	249,353
Termination benefits payable	77,852	-	77,852
Total OPEB liability	87,768	-	87,768
Portion due after one year			
Revenue bonds payable	720,000	-	720,000
Termination benefits payable	150,784	-	150,784
Net pension liability	60,424	1,645	62,069
Total OPEB liability	411,891	13,601	425,492
Total liabilities	<u>2,312,925</u>	<u>18,287</u>	<u>2,331,212</u>

See notes to financial statements.

WACO COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2022

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	\$ 2,176,389	\$ -	\$ 2,176,389
Pension related deferred inflows	2,447,821	66,634	2,514,455
Total deferred inflows of resources	<u>4,624,210</u>	<u>66,634</u>	<u>4,690,844</u>
<b>Net Position</b>			
Net investment in capital assets net of related debt	5,087,461	24,335	5,111,796
Restricted for			
Categorical funding	573,125	-	573,125
Physical plant and equipment	206,021	-	206,021
Student activities	67,765	-	67,765
School infrastructure	605,342	-	605,342
Unrestricted	<u>(1,859,514)</u>	<u>96,292</u>	<u>(1,763,222)</u>
Total net position	<u>\$ 4,680,200</u>	<u>\$ 120,627</u>	<u>\$ 4,800,827</u>

See notes to financial statements.

WACO COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2022

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$ 3,659,661	\$ 632,382	\$ 1,502,263	\$ -	\$ (1,525,016)	\$ -	\$ (1,525,016)
Special instruction	1,031,133	118,192	113,516	-	(799,425)	-	(799,425)
Other instruction	1,103,240	244,553	9,537	-	(849,150)	-	(849,150)
	<u>5,794,034</u>	<u>995,127</u>	<u>1,625,316</u>	<u>-</u>	<u>(3,173,591)</u>	<u>-</u>	<u>(3,173,591)</u>
Support services							
Student	154,129	-	-	-	(154,129)	-	(154,129)
Instructional staff	33,306	-	-	-	(33,306)	-	(33,306)
Administration	852,289	-	-	-	(852,289)	-	(852,289)
Operation and maintenance of plant	763,081	3,945	-	-	(759,136)	-	(759,136)
Transportation	389,573	865	5,863	-	(382,845)	-	(382,845)
	<u>2,192,378</u>	<u>4,810</u>	<u>5,863</u>	<u>-</u>	<u>(2,181,705)</u>	<u>-</u>	<u>(2,181,705)</u>
Other expenses							
Facilities acquisition	494,144	-	-	-	(494,144)	-	(494,144)
Long-term debt interest	37,446	-	-	-	(37,446)	-	(37,446)
AEA flowthrough	223,304	-	223,304	-	-	-	-
Depreciation (unallocated) *	353,768	-	-	-	(353,768)	-	(353,768)
	<u>1,108,662</u>	<u>-</u>	<u>223,304</u>	<u>-</u>	<u>(885,358)</u>	<u>-</u>	<u>(885,358)</u>
Total governmental activities	<u>9,095,074</u>	<u>999,937</u>	<u>1,854,483</u>	<u>-</u>	<u>(6,240,654)</u>	<u>-</u>	<u>(6,240,654)</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.



## Exhibit B

See notes to financial statements.

## WACO COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2022

		Capital Projects		
		Statewide		
		Sales, Service and	Nonmajor Governmental	
<b>Assets</b>	<u>General</u>	<u>Use Tax</u>	<u>Funds</u>	<u>Total</u>
Cash, cash equivalents and pooled investments	\$ 1,603,413	\$ 564,407	\$ 413,227	\$ 2,581,047
Receivables				
Property tax				
Delinquent	20,078	-	6,146	26,224
Succeeding year	1,824,604	-	351,785	2,176,389
Accounts receivable	-	-	6,700	6,700
Due from other governments	476,485	40,935	-	517,420
Total assets	<u>\$ 3,924,580</u>	<u>\$ 605,342</u>	<u>\$ 777,858</u>	<u>\$ 5,307,780</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 438,795	\$ -	\$ -	\$ 438,795
Due to other governments	453	-	-	453
Total liabilities	<u>439,248</u>	<u>-</u>	<u>-</u>	<u>439,248</u>
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	<u>1,824,604</u>	<u>-</u>	<u>351,785</u>	<u>2,176,389</u>
Fund balances				
Restricted for				
Categorical funding	573,125	-	-	573,125
School infrastructure	-	605,342	-	605,342
Debt service	-	-	32	32
Student activities	-	-	67,765	67,765
Management levy purposes	-	-	152,255	152,255
Physical plant and equipment	-	-	206,021	206,021
Unassigned	<u>1,087,603</u>	<u>-</u>	<u>-</u>	<u>1,087,603</u>
Total fund balances	<u>1,660,728</u>	<u>605,342</u>	<u>426,073</u>	<u>2,692,143</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,924,580</u>	<u>\$ 605,342</u>	<u>\$ 777,858</u>	<u>\$ 5,307,780</u>

See notes to financial statements.

WACO COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2022

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$2,692,143</b>
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**Amounts reported for governmental activities in the Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,166,814
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Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(5,605)
--	---------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 142,741	
Deferred inflows of resources	<u>(2,447,821)</u>	(2,305,080)

Long-term liabilities, including bonds payable, early retirement payable, capital loan notes payable, other postemployment benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(1,868,072)</u>
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<b>Net position of governmental activities</b>	<b><u><u>\$4,680,200</u></u></b>
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See notes to financial statements.

WACO COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

Exhibit E

		Capital Projects		
		Statewide		
		Sales,	Nonmajor	
		Service and	Governmental	
Revenues	<u>General</u>	<u>Use Tax</u>	<u>Funds</u>	<u>Total</u>
Local sources				
Local tax	\$1,997,869	\$ -	\$ 616,394	\$2,614,263
Tuition	862,882	-	-	862,882
Other	114,008	539	275,005	389,552
State sources	3,399,881	559,253	4,115	3,963,249
Federal sources	984,561	-	-	984,561
Total revenues	<u>7,359,201</u>	<u>559,792</u>	<u>895,514</u>	<u>8,814,507</u>
Expenditures				
Current				
Instruction				
Regular	3,794,936	-	13,171	3,808,107
Special	1,059,285	-	-	1,059,285
Other	873,438	-	249,180	1,122,618
	<u>5,727,659</u>	<u>-</u>	<u>262,351</u>	<u>5,990,010</u>
Support services				
Student	159,928	-	-	159,928
Instructional staff	34,202	-	-	34,202
Administration	650,281	-	220,428	870,709
Operation and maintenance of plant	654,602	-	103,085	757,687
Transportation	267,306	-	17,553	284,859
	<u>1,766,319</u>	<u>-</u>	<u>341,066</u>	<u>2,107,385</u>
Other expenditures				
Facilities acquisition	-	449,984	149,144	599,128
Long-term debt				
Principal	-	-	247,684	247,684
Interest and fiscal charges	-	-	39,275	39,275
AEA flowthrough	223,304	-	-	223,304
	<u>223,304</u>	<u>449,984</u>	<u>436,103</u>	<u>1,109,391</u>
Total expenditures	<u>7,717,282</u>	<u>449,984</u>	<u>1,039,520</u>	<u>9,206,786</u>

See notes to financial statements.

WACO COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Service and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (358,081)	\$ 109,808	\$(144,006)	\$ (392,279)
Other financing sources (uses)				
Transfers in	-	-	178,143	178,143
Transfers (out)	-	(84,935)	(93,208)	(178,143)
Total other financing sources (uses)	-	(84,935)	84,935	-
Change in fund balances	(358,081)	24,873	(59,071)	(392,279)
Fund balance, beginning of year	<u>2,018,809</u>	<u>580,469</u>	<u>485,144</u>	<u>3,084,422</u>
Fund balance, end of year	<u>\$1,660,728</u>	<u>\$ 605,342</u>	<u>\$ 426,073</u>	<u>\$2,692,143</u>

See notes to financial statements.

WACO COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2022

Exhibit F

**Change in fund balances - total governmental funds** \$ (392,279)

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 27,140	
Depreciation expense	<u>(495,025)</u>	(467,885)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	247,684
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	61,641	
Pension expense	(410,374)	
Other postemployment benefits	<u>254,302</u>	(94,431)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	1,829
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The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.	<u>346,673</u>
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**Change in net position of governmental activities** \$ (358,409)

WACO COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Funds  
June 30, 2022

Exhibit G

	Nonmajor Enterprise School Nutrition	Governmental Activity Internal Service Fund
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 173,108	\$ -
Inventories	4,220	-
Total current assets	177,328	-
Noncurrent assets		
Capital assets, net of accumulated depreciation	24,335	-
Total assets	201,663	-
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	3,885	-
<b>Liabilities</b>		
Current liabilities		
Unearned revenue	3,041	-
Noncurrent liabilities		
Total OPEB liability	13,601	-
Net pension liability	1,645	-
Total noncurrent liabilities	15,246	-
Total liabilities	18,287	-
<b>Deferred Inflows of Resources</b>		
Pension related deferred outflows	66,634	-
<b>Net Position</b>		
Net investment in capital assets	24,335	-
Unrestricted	96,292	-
Total net position	<u>\$ 120,627</u>	<u>\$ -</u>

See notes to financial statements.

WACO COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2022

Exhibit H

	Nonmajor <u>Enterprise</u> School Nutrition	Governmental <u>Activity</u> Internal Service Fund
Operating revenue		
Local sources		
Charges for service	\$ 25,283	\$ -
Employee contributions	-	114,515
Total operating revenue	<u>25,283</u>	<u>114,515</u>
Operating expenses		
Instruction		
Regular		
Benefits	-	106,535
Support services		
Administration		
Supplies	-	7,982
Non-instructional programs		
Food service operations		
Salaries	102,433	-
Benefits	19,342	-
Purchased services	543	-
Supplies	130,330	-
Depreciation	2,797	-
	<u>255,445</u>	<u>-</u>
Total operating expenses	<u>255,445</u>	<u>114,517</u>
Operating (loss)	<u>(230,162)</u>	<u>(2)</u>
Non-operating revenues		
Interest income	156	2
State sources	1,987	-
Federal sources	290,100	-
Total non-operating revenues	<u>292,243</u>	<u>2</u>
Change in net position	62,081	-
Net position beginning of year	58,546	-
Net position end of year	<u>\$ 120,627</u>	<u>\$ -</u>



WACO COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2022

Exhibit I

	Nonmajor Enterprise School Nutrition	Governmental Activity Internal Service Fund
Cash flows from operating activities		
Cash received from sale of services	\$ 19,264	\$ -
Cash received from other operations	-	114,515
Cash provided by payments to employees for services	(133,192)	(106,535)
Cash provided by payments to suppliers for goods and services	(109,593)	(7,982)
Net cash (used in) operating activities	(223,521)	(2)
Cash flows from non-capital financing activities		
State grants received	1,987	-
Federal grants received	268,821	-
Net cash provided by non-capital financing activities	270,808	-
Cash flows from capital and related financing activities	-	-
Cash flows from investing activities		
Interest on investments	156	2
Net increase in cash and cash equivalents	47,443	-
Cash and cash equivalents, beginning of year	125,665	-
Cash and cash equivalents, end of year	<u>\$ 173,108</u>	<u>\$ -</u>
<b>Reconciliation of operating (loss) to net cash (used in) operating activities</b>		
Operating (loss)	\$ (230,162)	\$ (2)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities		
Depreciation	2,797	-
Commodities used	21,279	-
Change in assets and liabilities:		
Inventories	1	-
Deferred outflows of resources	13,056	-
Net pension liability	(63,487)	-
Deferred inflows of resources	63,428	-
OPEB liability	(24,414)	-
Unearned revenue	(6,019)	-
Net cash (used in) operating activities	<u>\$ (223,521)</u>	<u>\$ (2)</u>

**Non-cash investing, capital and related financing activities.**

During the year ended June 30, 2022, the District received \$21,279 of federal commodities.

See notes to financial statements.

WACO COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2022

**Note 1. Summary of Significant Accounting Policies**

WACO Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the Cities of Wayland, Crawfordsville and Olds, Iowa, and the predominate agricultural territories in Washington, Louisa, Jefferson and Henry Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, WACO Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. WACO Community School District has no component units which meets the Governmental Accounting Standards Board criteria.

**Jointly Governed Organization**

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Washington, Louisa, Jefferson and Henry County Assessors' Conference Boards.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets from the revenue of the Statewide Sales, Services and Use Tax.

The District reports no major proprietary funds; however, it reports one nonmajor enterprise fund: the School Nutrition Fund is used to account for the food service operations of the District.

Additionally, the District reports an Internal Service Fund which is used to account for the self-funded insurance and tax saver flex benefit plans of the District. The Internal Service Fund is charged back to the Governmental Activities of the District and shown combined in the Statement of Net Position and the Statement of Activities.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims, judgments and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2021.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide



Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ -
Buildings	\$ 5,000
Improvements other than buildings	\$ 5,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 5,000

Land and construction in progress are not depreciated. The other tangible property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Improvements to buildings	20 years
Intangibles	2 or more years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Unearned Revenue - Unearned revenues are monies collected for student fees and meals that have not yet been served. The meal account balances will either be reimbursed or the meals served.

Termination Benefits - District employees meeting certain requirements were eligible for early retirement benefits offered through a program in a previous year. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at the time the plan was offered. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability - For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the WACO District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental and business-type activities will be paid primarily by the General Fund and the amount attributable to the business type activities will be paid by the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and income surtax and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, and unrecognized items not yet charged to pension expense.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through

constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$206,021 for physical plant and equipment, \$67,765 for student activities and \$605,342 for school infrastructure.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2022, expenditures in the instruction and non-instructional programs functions, as well as total expenditures, exceeded the amounts budgeted.

#### F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2022, the District had no investments.

### **Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Nonmajor Governmental Debt Service	Major Capital Projects Physical Plant and Equipment Levy	\$ 93,208
Nonmajor Governmental Debt Service	Nonmajor Capital Projects Statewide Sales, Services and Use Tax	84,935
		<u>\$ 178,143</u>



Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund to the Debt Service Fund were for interest and principal payments on long-term debt.

#### **Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 85,850	\$ -	\$ -	\$ 85,850
Capital assets being depreciated:				
Buildings and improvements	9,959,562	-	-	9,959,562
Improvements other than buildings	2,119,003	17,450	-	2,136,453
Furniture and equipment	<u>1,555,660</u>	<u>9,690</u>	<u>(11,440)</u>	<u>1,553,910</u>
Total capital assets being depreciated	<u>13,634,225</u>	<u>27,140</u>	<u>(11,440)</u>	<u>13,649,925</u>
Less accumulated depreciation for:				
Buildings and improvements	5,083,856	252,299	-	5,336,155
Improvements other than buildings	1,100,419	101,469	-	1,201,888
Furniture and equipment	<u>901,101</u>	<u>141,257</u>	<u>(11,440)</u>	<u>1,030,918</u>
Total accumulated depreciation	<u>7,085,376</u>	<u>495,025</u>	<u>(11,440)</u>	<u>7,568,961</u>
Total capital assets being depreciated, net	<u>6,548,849</u>	<u>(467,885)</u>	<u>-</u>	<u>6,080,964</u>
Governmental activities capital assets, net	<u>\$ 6,634,699</u>	<u>\$ (467,885)</u>	<u>\$ -</u>	<u>\$ 6,166,814</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 162,430	\$ -	\$ -	\$ 162,430
Less accumulated depreciation	<u>135,298</u>	<u>2,797</u>	<u>-</u>	<u>138,095</u>
Business type activities capital assets, net	<u>\$ 27,132</u>	<u>\$ (2,797)</u>	<u>\$ -</u>	<u>\$ 24,335</u>

Depreciation expense was charged to the following functions:

#### **Governmental activities**

Instruction	
Regular	\$ 14,400
Other	10,458
Support services	
Operation and maintenance of plant	11,443
Transportation	<u>104,956</u>
	141,257
Unallocated	<u>353,768</u>
Total governmental activities depreciation expense	<u>\$ 495,025</u>

**Business-type activities**

Food services	<u>\$ 2,797</u>
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**Note 5. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2022 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Revenue bonds	\$ 995,000	\$ -	\$ 165,000	\$ 830,000	\$110,000
Capital loan notes	332,037	-	82,684	249,353	249,353
Termination benefits	290,277	-	61,641	228,636	77,852
Net pension liability	2,895,432	-	2,835,008	60,424	-
Total OPEB liability	<u>753,961</u>	<u>-</u>	<u>254,302</u>	<u>499,659</u>	<u>87,768</u>
Totals	<u>\$ 5,266,707</u>	<u>\$ -</u>	<u>\$3,398,635</u>	<u>\$ 1,868,072</u>	<u>\$524,973</u>
Business type activities					
Net pension liability	\$ 65,132	\$ -	\$ 63,487	\$ 1,645	\$ -
Total OPEB liability	<u>38,015</u>	<u>-</u>	<u>24,414</u>	<u>13,601</u>	<u>-</u>
Totals	<u>\$ 103,147</u>	<u>\$ -</u>	<u>\$ 87,901</u>	<u>\$ 15,246</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$37,446 for the year ended June 30, 2022. During the year ended June 30, 2022, the District made principal payments on total long-term debt of \$247,684.

**Revenue Bonds Payable**

Details of the District's June 30, 2022 statewide sales, service and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 2, 2014			
	Interest Rates	Principal	Interest	Total
2023	3.00%	\$ 110,000	\$ 26,775	\$ 136,775
2024	3.00%	110,000	23,475	133,475
2025	3.00%	115,000	20,175	135,175
2026	3.00%	120,000	16,725	136,725
2027	3.00%	120,000	13,125	133,125
2028-2029	3.50%	<u>255,000</u>	<u>13,475</u>	<u>268,475</u>
Totals		<u>\$ 830,000</u>	<u>\$113,750</u>	<u>\$ 943,750</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,230,000 of bonds issued September 2014. The bonds were issued for the purpose of defraying a portion of the costs of various school infrastructure projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 25% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$943,750. For the current year, \$165,000 of principal and \$33,056 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$559,253.

The resolution providing for the issuance of statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$115,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

#### Capital Loan Note

During the year ended June 30, 2020, the District entered into a capital loan note for the purchase of six buses. The note bears interest at 3.25% and are payable from the Physical Plant and Equipment Levy Fund. Details of the District's capital loan note at June 30, 2020 are as follows:

Year Ending <u>June 30,</u>	<u>Capital Loan Note Issued October 11, 2019</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	3.250%	<u>\$ 249,353</u>	<u>\$ 8,216</u>	<u>\$ 257,569</u>

#### Termination Benefits

During the year ended June 30, 2021, the District offered a voluntary early retirement incentive to its employees. The plan was offered to employees for one year. Eligible employees were required to have completed 15 years of continuous service to the District and must have reached age fifty-five on or before June 30, 2021. The application for early retirement was subject to approval by the Board of Education.

Successful candidates had their choice of two different early retirement incentives. The first option was a monthly cash payment equal to 0.010 times their final annual base salary

beginning the first month of retirement and continuing to age 65 or a maximum of 120 months. The second option was District contributions equal to single coverage for continued participation in the District's group health insurance plan until they become eligible for Medicare or a maximum of 120 months.

In fiscal 2019, the District offered a voluntary early retirement plan to its employees. The plan was only offered to employees for one year. Eligible employees were required to have completed fifteen years of continuous service to the District and must have reached age fifty-five on or before June 30, 2019. The application for early retirement was subject to approval by the Board of Education.

Successful candidates had their choice of two different early retirement incentives. The first option was a monthly cash payment equal to 0.010 times their final annual base salary beginning the first month of retirement and continuing to age 65 or a maximum of 120 months. The second option was District contributions equal to single coverage for continued participation in the District's group health insurance plan until they become eligible for Medicare or a maximum of 120 months.

At June 30, 2022 the District had obligations to thirteen former employees for a total of \$228,636.

## **Note 6. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2022 totaled \$346,673.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the District reported a liability of \$62,069 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the District's proportion was 0.044274%, which was an increase of 0.001356 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$63,701. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 47,226	\$ 47,417
Changes of assumptions	40,598	-
Net difference between projected and actual earnings on IPERS' investments	-	2,248,854
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	58,802	218,184
District contributions subsequent to the measurement date	-	-
Total	<u>\$ 146,626</u>	<u>\$ 2,514,455</u>

\$0 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (569,845)
2024	(579,980)
2025	(551,728)
2026	(654,552)
2027	(11,706)
Total	<u>\$ (2,367,811)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 %, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.



The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$2,196,819	\$62,069	\$(1,726,988)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At June 30, 2022, the District reported no payables to IPERS for legally required District contributions or legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

## **Note 7. Other Postemployment Benefits (OPEB)**

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by WACO District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	<u>88</u>
Total	<u>98</u>

Total OPEB Liability - The District's total OPEB liability of \$513,260 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2022)	2.25% per annum.
Rates of salary increase (effective June 30, 2022)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2022)	3.69% compounded annually, including inflation.



Healthcare cost trend rate (effective June 30, 2022)	6.7% for FY22, decreasing to an ultimate rate of 3.7% in FY75 and later.
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Discount Rate - The discount rate used to measure the total OPEB liability was 3.69% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 mortality tables with projected mortality improvements based on scaled MP-2017 and other adjustments. Annual retirement probabilities are based on School assumptions for Regular Members in the June 2018 IPERS Demographic Assumptions Study.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	<u>\$ 791,976</u>
Changes for the year:	
Service cost	76,645
Interest	15,835
Differences between expected and actual experiences	(203,188)
Changes in assumptions	(80,240)
Benefit payments	<u>(87,768)</u>
Net changes	<u>(278,716)</u>
Total OPEB liability end of year	<u>\$ 513,260</u>

Changes of assumptions reflect a change in the discount rate from 1.92% in fiscal year 2021 to 3.69% in fiscal year 2022.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.69%) or 1% higher (4.69%) than the current discount rate.

	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB liability	\$548,909	\$513,260	\$480,128

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.7%) or 1% higher (7.7%) than the current healthcare cost trend rates.

	1% Decrease (5.7%)	Healthcare Cost Trend Rate (6.7%)	1% Increase (7.7%)
Total OPEB liability	\$463,787	\$513,260	\$571,371

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2022, the District recognized OPEB expense of \$278,716. WACO Community School District elected to use the Alternative Measurement Method (AMM) as allowed by GASB Statement No. 75 for entities with fewer than 100 active and inactive employees. Certain items such as differences between expected and actual experience and changes in assumptions and other inputs are recognized in the current year when using the AMM and, therefore, there are no deferred outflows of resources or deferred inflows of resources related to OPEB.

## **Note 8. Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures in the General Fund at the time of payment to the risk pool District contributions to ISEBA for the year ended June 30, 2022 were \$847,027.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$223,304 for the year ended June 30, 2022 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **Note 10. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures

financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2022, significant amounts of grant expenditures have not been audited by granting authorities, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

#### **Note 11. Deficit Net Position**

The District's Governmental Activities, which include the net pension liability and total OPEB liability, had an unrestricted net position deficit of \$1,859,514 at June 30, 2022.

#### **Note 12. Categorical Funding**

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2022.

##### Program

Home school assistance program	\$ 339,847
ESL	51,497
Gifted and talented	95,100
Returning dropout and dropout prevention	35,693
Beginning administrator mentoring	931
Educator quality, professional development	<u>50,057</u>
	<u>\$ 573,125</u>

#### **Note 13. Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

### Tax Abatements of Other Entities

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Manchester offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2022 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Wayland	Economic development projects	\$10,235

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2022, this reimbursement amounted to \$5,017.

### **Note 14. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 87, Leases, was implemented during fiscal year 2022. At July 1, 2021, the District had no leases meeting the definition of GASBS No. 87; therefore, implementation of the standard had no effect on the beginning capital assets, liabilities or net position.

### **Note 15. Subsequent Events**

The District has evaluated subsequent events through February 24, 2023 which is the date that the financial statements were available to be issued.

## Required Supplementary Information

WACO COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
 All Governmental Funds and Enterprise Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2022

	Governmental Funds Actual	Enterprise Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$3,866,697	\$ 25,439	\$3,892,136	\$3,587,729	\$ 3,587,729	\$ 304,407
State sources	3,963,249	1,987	3,965,236	3,937,261	3,937,261	27,975
Federal sources	984,561	290,100	1,274,661	360,000	360,000	914,661
Total revenues	8,814,507	317,526	9,132,033	7,884,990	7,884,990	1,247,043
Expenditures/Expenses						
Instruction	5,990,010	-	5,990,010	5,391,000	5,391,000	(599,010)
Support services	2,107,385	-	2,107,385	2,189,000	2,189,000	81,615
Non-instructional programs	-	255,445	255,445	210,000	210,000	(45,445)
Other expenditures	1,109,391	-	1,109,391	1,175,877	1,175,877	66,486
Total expenditures/expenses	9,206,786	255,445	9,462,231	8,965,877	8,965,877	(496,354)
Excess (deficiency) of revenues over (under) expenditures	(392,279)	62,081	(330,198)	(1,080,887)	(1,080,887)	750,689
Net other financing sources	-	-	-	462,000	462,000	(462,000)
Change in fund balance	(392,279)	62,081	(330,198)	(618,887)	(618,887)	288,689
Balance, beginning of year	3,084,422	58,546	3,142,968	2,724,968	2,724,968	418,000
Balance, end of year	\$2,692,143	\$ 120,627	\$2,812,770	\$2,106,081	\$ 2,106,081	\$ 706,689

See accompanying Independent Auditor's Report.

WACO COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2022

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2022, the District did not amend its budgeted expenditures.

During the year ended June 30, 2022, expenditures in the instruction and non-instructional programs functions, as well as total expenditures, exceeded the amounts budgeted.

WACO COMMUNITY SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
For the Last Eight Years\*  
Required Supplementary Information

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.044274%	0.042145%	0.043501%	0.041934%	0.039647%	0.042154%	0.044440%	0.047395%
District's proportionate share of the net pension liability	\$ 62,069	\$ 2,960,564	\$ 2,518,987	\$ 2,653,644	\$ 2,640,983	\$ 2,652,897	\$ 2,195,570	\$1,879,631
District's covered payroll	\$ 3,593,400	\$ 3,344,699	\$ 3,310,584	\$ 3,151,706	\$ 2,959,445	\$ 3,006,172	\$ 3,044,573	\$3,091,680
District's proportionate share of the net pension liability as a percentage of its covered payroll	1.73%	88.52%	76.09%	84.20%	89.24%	88.25%	72.11%	60.80%
IPERS' net position as a percentage of the total pension liability	0.00%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

\*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.



WACO COMMUNITY SCHOOL DISTRICT  
Schedule of District Contributions  
Iowa Public Employees' Retirement System  
For the Last Ten Years  
Required Supplementary Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 346,673	\$ 339,217	\$ 315,740	\$ 312,519	\$ 281,447	\$ 264,279	\$ 270,145	\$ 271,880	\$ 276,087	\$ 274,871
Contributions in relation to the statutorily required contribution	(346,673)	(339,217)	(315,740)	(312,519)	(281,447)	(264,279)	(270,145)	(271,880)	(276,087)	(274,871)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$3,672,383	\$ 3,593,400	\$ 3,344,699	\$ 3,310,584	\$ 3,151,706	\$ 2,959,445	\$3,006,172	\$3,044,573	\$3,091,680	\$3,170,369
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.99%	8.93%	8.93%	8.67%

See accompanying Independent Auditor's Report.

WACO COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Pension Liability  
For the Year Ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

WACO Community School District  
Schedule of Changes in the District's  
Total OPEB Liability, Related Ratios and Notes  
For the Last Five Years  
Required Supplementary Information

	2022	2021	2020	2019	2018
Service cost	\$ 76,645	\$ 65,148	\$ 160,133	\$ 156,227	\$ 116,182
Interest cost	15,835	19,303	37,815	32,912	33,233
Difference between expected and actual experiences	(203,188)	-	(543,758)	-	-
Changes in assumptions	(80,240)	26,375	(16,154)	(19,009)	(2,467)
Benefit payments	(87,768)	(83,133)	(81,905)	(13,488)	(13,488)
Net change in total OPEB liability	(278,716)	27,693	(443,869)	156,642	133,460
Total OPEB liability beginning of year	791,976	764,283	1,208,152	1,051,510	918,050
Total OPEB liability end of year	<u>\$ 513,260</u>	<u>\$ 791,976</u>	<u>\$ 764,283</u>	<u>\$ 1,208,152</u>	<u>\$ 1,051,510</u>
Covered-employee payroll	\$ 3,731,624	\$ 3,524,475	\$ 3,093,445	\$ 3,243,591	\$ 2,813,372
Total OPEB liability as a percentage of covered-employee payroll	13.75%	22.47%	24.71%	37.25%	37.38%

**Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2022 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2022:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2022	3.69%
Year ended June 30, 2021	1.92%
Year ended June 30, 2020	2.45%
Year ended June 30, 2019	3.13%
Year ended June 30, 2018	3.62%
Year ended June 30, 2017	3.56%

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

## Supplementary Information

WACO COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects Physical Plant and Equipment</u>	<u>Debt Service</u>	<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>		
<b>Assets</b>					
Cash, cash equivalents and pool investments	\$ 67,765	\$ 142,513	\$ 202,917	\$ 32	\$ 413,227
Receivables					
Property tax					
Delinquent	-	3,042	3,104	-	6,146
Succeeding year	-	63,000	288,785	-	351,785
Accounts receivable	-	6,700	-	-	6,700
Total assets	<u>\$ 67,765</u>	<u>\$ 215,255</u>	<u>\$ 494,806</u>	<u>\$ 32</u>	<u>\$ 777,858</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	<u>-</u>	<u>63,000</u>	<u>288,785</u>	<u>-</u>	<u>351,785</u>
Fund balances					
Restricted for					
Student activities	67,765	-	-	-	67,765
Management levy purposes	-	152,255	-	-	152,255
Physical plant and equipment	-	-	206,021	-	206,021
Debt service	-	-	-	32	32
Total fund balances	<u>67,765</u>	<u>152,255</u>	<u>206,021</u>	<u>32</u>	<u>426,073</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 67,765</u>	<u>\$ 215,255</u>	<u>\$ 494,806</u>	<u>\$ 32</u>	<u>\$ 777,858</u>

See accompanying Independent Auditor's Report.

WACO COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2022

Schedule 2

	Special Revenue		Capital Projects Physical Plant and Equipment	Debt Service	Total
Revenues	Student Activity	Management Levy	Levy		
Local sources					
Local taxes	\$ -	\$ 301,856	\$ 314,538	\$ -	\$ 616,394
Other	267,752	7,035	180	38	275,005
State sources	-	2,037	2,078	-	4,115
Total revenues	<u>267,752</u>	<u>310,928</u>	<u>316,796</u>	<u>38</u>	<u>895,514</u>
Expenditures					
Current					
Instruction					
Regular	-	13,171	-	-	13,171
Other	<u>249,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,180</u>
Total instruction	<u>249,180</u>	<u>13,171</u>	<u>-</u>	<u>-</u>	<u>262,351</u>
Support services					
Administration	-	126,703	93,725	-	220,428
Operation and maintenance of plant	-	103,085	-	-	103,085
Transportation	<u>-</u>	<u>17,553</u>	<u>-</u>	<u>-</u>	<u>17,553</u>
Total support services	<u>-</u>	<u>247,341</u>	<u>93,725</u>	<u>-</u>	<u>341,066</u>
Other expenditures					
Facilities acquisition	-	-	149,144	-	149,144
Long-term debt					
Principal	-	-	-	247,684	247,684
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,275</u>	<u>39,275</u>
Total other expenditures	<u>-</u>	<u>-</u>	<u>149,144</u>	<u>286,959</u>	<u>436,103</u>
Total expenditures	<u>249,180</u>	<u>260,512</u>	<u>242,869</u>	<u>286,959</u>	<u>1,039,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,572</u>	<u>50,416</u>	<u>73,927</u>	<u>(286,921)</u>	<u>(144,006)</u>
Other financing sources (uses)					
Transfers in	-	-	-	178,143	178,143
Transfers (out)	<u>-</u>	<u>-</u>	<u>(93,208)</u>	<u>-</u>	<u>(93,208)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(93,208)</u>	<u>178,143</u>	<u>84,935</u>
Change in fund balances	18,572	50,416	(19,281)	(108,778)	(59,071)
Fund balances, beginning of year	<u>49,193</u>	<u>101,839</u>	<u>225,302</u>	<u>108,810</u>	<u>485,144</u>
Fund balances, end of year	<u>\$67,765</u>	<u>\$ 152,255</u>	<u>\$206,021</u>	<u>\$ 32</u>	<u>\$ 426,073</u>

See accompanying Independent Auditor's Report.

WACO COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2022

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Camp courageous	\$ 4,264	\$ 2,986	\$ 3,685	\$ 3,565
Elementary vending	346	1,546	1,635	257
Elementary student leadership	439	705	112	1,032
Speech and Drama	-	2,891	2,891	-
Quiz bowl	-	314	314	-
Musical	-	4,180	3,573	607
Spanish trip	2,166	-	-	2,166
Strings program	564	-	-	564
Instrumental music	-	381	381	-
Vocal music	6	-	-	6
Elementary activity	6,343	1,562	2,148	5,757
Secondary activity	1,395	-	-	1,395
High school annual	4,978	5,807	3,382	7,403
Class of 2022	1,560	484	2,044	-
Class of 2023	400	10,787	9,555	1,632
Class of 2024	76	-	-	76
Class of 2025	-	378	378	-
Class of 2026	1	377	378	-
Class of 2027	-	708	612	96
Football	-	25,891	25,891	-
Boy's track	-	8,064	8,064	-
Wrestling	-	8,222	8,222	-
Cross country	-	1,471	1,471	-
Boy's basketball	-	6,789	6,789	-
Sr. high student council	6,235	10,946	12,432	4,749
E sports	38	917	920	35
Lego league	750	7,498	6,498	1,750
National honor society	-	599	599	-
Speech	-	838	838	-
Football cheerleaders	4,348	7,339	5,353	6,334
Drill team	693	1,505	1,877	321
Volleyball	-	5,668	5,668	-
Girl's track	-	3,047	3,047	-
Interest	-	79	79	-
Girl's basketball	-	5,683	5,683	-
Activity Tickets	11,220	100,395	110,075	1,540
HS vending machines	2,994	748	648	3,094
FFA	377	38,947	13,938	25,386
	<u>\$ 49,193</u>	<u>\$ 267,752</u>	<u>\$ 249,180</u>	<u>\$ 67,765</u>

See accompanying Independent Auditor's Report.

WACO COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues										
Local sources										
Local tax	\$ 2,614,263	\$ 2,408,403	\$ 2,227,101	\$ 2,159,717	\$ 2,026,058	\$ 2,337,814	\$ 2,311,757	\$ 2,404,095	\$ 2,905,823	\$ 3,365,721
Tuition	862,882	596,941	694,796	673,165	566,090	466,208	425,789	414,292	432,707	462,041
Other	389,552	131,844	182,917	187,123	266,449	201,724	302,955	331,794	314,161	211,435
State sources	3,963,249	4,053,784	3,894,230	3,867,297	3,731,105	3,618,173	3,562,833	3,548,123	3,613,929	3,126,719
Federal sources	984,561	596,374	254,918	203,539	208,117	216,265	209,112	262,091	240,502	194,796
Total revenues	<u>\$ 8,814,507</u>	<u>\$ 7,787,346</u>	<u>\$ 7,253,962</u>	<u>\$ 7,090,841</u>	<u>\$ 6,797,819</u>	<u>\$ 6,840,184</u>	<u>\$ 6,812,446</u>	<u>\$ 6,960,395</u>	<u>\$ 7,507,122</u>	<u>\$ 7,360,712</u>
Expenditures										
Current										
Instruction										
Regular	\$ 3,808,107	\$ 3,193,512	\$ 3,063,960	\$ 3,023,289	\$ 3,013,382	\$ 2,731,543	\$ 2,495,421	\$ 2,634,027	\$ 2,687,353	\$ 2,481,746
Special	1,059,285	1,062,609	927,662	743,282	730,852	671,903	813,384	996,789	935,469	742,704
Other	1,122,618	893,391	764,517	777,677	796,823	725,545	728,641	753,086	779,387	791,191
Support services										
Student	159,928	164,778	134,618	129,347	123,541	114,925	104,229	143,305	108,349	75,121
Instructional staff	34,202	11,082	14,872	19,541	37,916	49,245	37,083	64,128	67,518	88,874
Administration	870,709	776,031	848,786	728,531	715,284	771,702	704,878	727,111	722,557	753,056
Operation and maintenance of plant	757,687	578,815	525,020	485,775	417,195	369,285	358,476	420,699	444,518	404,358
Transportation	284,859	201,438	812,673	226,087	228,236	782,877	310,323	300,731	756,055	248,655
Other expenditures										
Facilities acquisition	599,128	213,500	381,666	239,222	428,542	361,210	683,297	1,300,038	411,430	19,562
Long-term debt										
Principal	247,684	244,607	555,851	227,640	556,132	875,736	534,051	528,002	425,000	360,000
Interest and other charges	39,275	52,939	46,839	60,658	71,896	76,277	90,267	88,396	58,269	64,347
AEA flowthrough	223,304	225,977	213,099	206,414	203,845	197,636	202,929	202,017	200,995	195,765
Total expenditures	<u>\$ 9,206,786</u>	<u>\$ 7,618,679</u>	<u>\$ 8,289,563</u>	<u>\$ 6,867,463</u>	<u>\$ 7,323,644</u>	<u>\$ 7,727,884</u>	<u>\$ 7,062,979</u>	<u>\$ 8,158,329</u>	<u>\$ 7,596,900</u>	<u>\$ 6,225,379</u>

See accompanying Independent Auditor's Report.



WACO Community School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Schedule 5

<u>Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
Indirect			
U.S. Department of Agriculture			
Passed through Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY22	\$ 10,283
National School Lunch Program	10.555	FY22	279,816 *
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>290,099</u>
U.S. Department of Education			
Passed through Iowa Department of Education			
Title I Grants to Local Education Agencies	84.010	FY22	111,408
Special Education Grants to States	84.027	FY22	3,418
Rural Education	84.358	FY22	38,865
Supporting Effective Instruction State Grants (Title IIA)	84.367	FY22	16,579
Student Support and Academic Enrichment Program (Title IV-A)	84.424	FY22	10,000
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act (CARES) Cluster			
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Funds	84.425D	FY22	92,453
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER III) Funds - Learning Loss	84.425U	FY22	139,560
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER III) Funds	84.425U	FY22	402,420
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER III) Funds - Teacher Retention Bonus	84.425U	FY22	51,672
Total Education Stabilization Fund Under CARES Cluster			<u>686,105</u>
Total Iowa Department of Education			<u>866,375</u>
Passed through Northwest Area Education Agency			
Special Education Grants to States	84.027	FY22	22,153
Career and Technical Education - Tech-Prep Education	84.048	FY22	4,670
Total passed through Northwest Area Education Agency			<u>26,823</u>
Total U.S. Department of Education			<u>893,198</u>
Total federal expenditures			<u>\$ 1,183,297</u>

\* includes \$21,279 of non-cash awards

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of WACO Community School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of WACO Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of WACO Community School District.

See accompanying Independent Auditor's Report.

WACO Community School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Schedule 5

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** - WACO Community School District uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

**Subrecipients** - There were no awards passed through to subrecipients by WACO Community School District.

See accompanying Independent Auditor's Report.

# Kay L. Chapman, CPA PC

116 Harrison Street  
Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of WACO Community School District:

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of WACO Community School District as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 24, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered WACO Community School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WACO Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of WACO Community School District's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified certain deficiencies in internal control, described in Part II of the

accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 that I consider to be material weaknesses.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether WACO Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### WACO Community School District's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedure on WACO Community School District's responses to the findings identified in my audit and described in the accompanying Schedule of Findings and Questioned Costs. WACO Community School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of WACO Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
February 24, 2023

# Kay L. Chapman, CPA PC

116 Harrison Street  
Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Education of WACO Community School District:

### Report on Compliance for Each Major Federal Program

#### Opinion on Each Major Federal Program

I have audited WACO Community School District's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of WACO Community School District's major federal programs for the year ended June 30, 2022. WACO Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In my opinion, WACO Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of WACO Community School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of WACO Community School District's compliance with the compliance requirements referred to above.

## Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to WACO Community School District's federal programs.

## Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on WACO Community School District's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about WACO Community School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding WACO Community School District's compliance with the compliance requirements referred to above and performing other such procedures as I considered necessary in the circumstances.
- Obtain an understanding of WACO Community School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of WACO Community School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance I identified during the audit.



## Report on Internal Control over Compliance

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that was not identified. However, as discussed below, I did identify a certain deficiency in internal control over compliance that I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003 to be a material weakness.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on WACO Community School District's response to the internal control over compliance finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. WACO Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Kay L. Chapman, CPA PC  
February 24, 2023

WACO COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**I. Summary of Independent Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?
- Noncompliance material to financial statements noted?

<u>  X  </u>	Yes	<u>      </u>	No
<u>      </u>	Yes	<u>  X  </u>	None reported
<u>      </u>	Yes	<u>  X  </u>	No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<u>  X  </u>	Yes	<u>      </u>	No
<u>      </u>	Yes	<u>  X  </u>	None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

<u>  X  </u>	Yes	<u>      </u>	No
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**Identification of major program(s):**

FAL Number    Name of Federal Program or Cluster

Education Stabilization Fund (CARES) Cluster

84.425D	COVID-19 Education Stabilization Fund ESSER II
84.425U	COVID-19 Education Stabilization Fund ESSER III
84.425U	COVID-19 Education Stabilization Fund ESSER III - Teacher Retention Bonuses
84.425U	COVID-19 Education Stabilization Fund ESSER III - Learning Loss

Dollar threshold used to distinguish between type A and type B programs:      \$750,000

Auditee qualified as low-risk auditee?             Yes      X   No



WACO COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**Part II: Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCY**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE**

**INTERNAL CONTROL DEFICIENCIES**

**MATERIAL WEAKNESSES**

**2022-001 Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition – I noted that the same individual performed the following duties: recording and processing of cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information.

Cause – The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2021-001.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through

WACO COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

review of financial transactions, reconciliations and reports. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Views of Responsible Officials and Planned Corrective Actions – We will review our procedures and implement changes to improve internal control, as we deem necessary.

2022-002 Material Misstatements not Detected

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition - During the course of my audit, I discovered several material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District did not report the correct amount of succeeding year property tax receivable and deferred inflows of resources for the General Fund, Management Fund and Physical Plant and Equipment Levy Fund. General Fund receivables were not correct as reported. Also the School Nutrition Fund did not include fiscal year 2022 adjustments for pension-related transactions, OPEB liabilities and depreciation. These errors resulted in the following misstatements on the CAR as filed with the State of Iowa.

	Over(under)stated				
			Fund		
	<u>Assets</u>	<u>Liabilities</u>	<u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ (30,206)	\$ 77,844	\$(108,050)	\$(108,050)	\$ -
Management Fund	\$(382,000)	\$(382,000)	\$ -	\$ -	\$ -
PPEL Fund	\$ (21,935)	\$ (21,935)	\$ -	\$ -	\$ -
School Nutrition Fund	\$ 15,853	\$ 24,473	\$ (8,620)	\$ -	\$ 8,620

Cause - District policies do not require and procedures have not been established to require independent review of year-end adjusting entries and cut-off transactions to ensure the District's financial statements and CAR are accurate and reliable.

Effect - Lack of policies and procedures resulted in District employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the District's CAR were necessary.

WACO COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

Recommendation - The District should implement procedures to ensure that all liabilities are identified and included in the District's CAR.

Views of Responsible Officials and Planned Corrective Actions - We will double-check these in the future to avoid missing any material amounts.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY**

**FAL Number 84.425D: COVID-10 Education Stabilization Fund ESSER II**  
**FAL Number 84.425U: COVID-10 Education Stabilization Fund ESSER III**  
**FAL Number 84.425U: COVID-10 Education Stabilization Fund ESSER III**  
**Teacher Retention Bonus**  
**FAL Number 84.425U: COVID-10 Education Stabilization Fund ESSER III**  
**Learning Loss**  
**Pass-through Entity Identifying Number: N/A**  
**Federal Award Year: 2022**  
**Prior Year Finding Number: N/A**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

**MATERIAL MISSTATEMENT**

2022-003 Segregation of Duties - The District did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to federal programs. 2022-001.

**Part IV. Other Findings Related to Required Statutory Reporting**

1. Certified Budget - Expenditures for the year ended June 30, 2022 exceeded the amounts budgeted in the instruction and non-instructional programs function, as well as in total.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

WACO COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Restricted Donor Activity - No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
9. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
10. Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
11. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education; however, there were some material misstatements as detailed in comment 2022-002 in Part II of this Schedule of Findings and Questioned Costs.

Recommendation - The District should ensure that all reports contain correct information in the future.

Response - We will ensure that future CARs contain correct information when it is filed with the Iowa Department of Education.

WACO COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

Conclusion - Response accepted.

12. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
13. Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2022, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 580,469
Revenues		
Statewide sales and services tax revenue	\$ 559,253	
Interest earned	<u>539</u>	559,792
Expenditures/transfers out		
School infrastructure		
Equipment	449,984	
Transfers to other funds		
Debt service	<u>84,935</u>	<u>534,919</u>
Ending balance		<u>\$ 605,342</u>

For the year ended June 30, 2022, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

14. Deficit Net Position - The District's governmental activities had a negative unrestricted net position of \$1,859,514 at June 30, 2022.

Recommendation - The District should continue to monitor these activities and investigate alternatives to eliminate this deficit in order to return the activities to a sound financial condition.

Response - This deficit was a result of the required adoption of GASB Statement No. 68 and GASB Statement No. 75 during previous fiscal years.

Conclusion - Response accepted.

WACO COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2022

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant